WAR FOOD ADMINISTRATION
FOOD DISTRIBUTION ADMINISTRATION

ACTIVITIES OF THE DAIRY AND POULTRY BRANCH FOR YEAR ENDED JUNE 30, 1943

Increasing quantities of practically all dairy and poultry products were required by United States Military Forces and War Agencies and the Allied Nations obtaining food products under the lend-lease program during 1942-43. The outstanding marketing and distribution problem for dairy and poultry products in 1942-43, therefore, continued to be insuring the manufacture, grading, procurement, packaging, storage, transportation, and delivery of vast quantities of dried eggs, dried milk, butter, cheese, and evaporated milk for direct war use. Also involved to an increasing extent during the year was the problem of helping United States Military Forces and War Agencies in this country procure their supplies of fresh milk and cream, ice cream, fresh eggs and fresh chickens, and turkey for immediate local consumption.

The basic problem along these lines became much more complex in 1942-43 than in 1941-43, largely because the rate of expansion in total supplies necessarily became slower. At the same time, civilian demand as well as war requirements for all dairy and poultry products continued to expand. This basic condition was emphasized by the imposition of price ceiling regulations as the heavier demands continued in the late summer of 1942 to result in price increases. When prices were fixed, supplementary regulations became necessary to govern the distribution of the limited supplies. New developments during 1942-43, therefore, were largely new procurement techniques, new regulations limiting the production or sale of particular products, and new regulations governing the distribution of available supplies among war agencies and among civilians.

I. EGG AND POULTRY PRODUCTS

Total supplies of eggs and poultry in the summer of 1942 were ample to meet all civilian and Government or war requirements. Substantially all of the processing capacity in the Nation was being utilized for drying eggs for shipment under the lend-lease program. Major problems at that time involved needed increases in egg-drying capacity, needed improvements in the techniques of egg drying so as to insure higher uniform quality, and the completion of a packaging program for shipping dried eggs in consumer-size packages.

Work has continued throughout the year on all of these problems, and by the middle of 1943, they were all much nearer final solution. By July 1, 1943, the number of egg-drying plants in operation had increased to 126 from 71 a year earlier, and the total capacity had increased from 252 million pounds of dried eggs per year to 425 million pounds. Resident samplers, resident inspectors, laboratory analyses and reports, extensive work directly with plant operators, and additional work on specifications and standards for fresh, frozen, and dried eggs have all contributed to a much improved quality situation. More than 130 million pounds of egg powder were delivered to the British during the year in 5-ounce packages.

While these problems continued to be important and urgent throughout the year and will continue so in 1943-44, other major developments during the year created critical distribution problems which are undoubtedly more complex and will be

more difficult of solution. Immediate sources of most of these newer problems were the price ceiling regulations issued by the Office of Price Administration coupled with the over-all influence on trends in total egg and poultry supplies of the heavy increase in livestock and poultry numbers in relation to feed supplies. Price ceiling regulations and the short supply conditions disrupted marketing practices and the movement of eggs and poultry through regular marketing channels. They threatened to reduce sharply the supply of eggs for drying purposes, resulted in substantial black market operations in poultry, and forced military buyers to resort to emergency measures to procure fresh eggs and live and dressed poultry. Total production of eggs and poultry began by July 1942 to show signs of not keeping full pace with the increase in war requirements and civilian demand, particularly as civilian demand continued to expand as a result of other foods being rationed.

These problems relating to price ceiling regulations and total supplies of eggs and poultry were not solved in 1942-43, although several corrective measures were inaugurated. They remain as basic and potentially critical problems for 1943-44 and show signs of becoming much more serious particularly during the winter months when current production is somewhat smaller. The following table indicates the nature of the basic supply problem for eggs as it may be expected to develop if no action is taken to insure greater supplies.

Price and Supply Problems

The temporary price ceilings placed on egg and poultry products in October 1942 created few problems. The permanent and uniform ceilings, however, created a number of significant distribution problems which are still partly unsolved. Ceiling prices on live and dressed poultry established in December 1942, resulted in major shifts in marketing methods, largely because of changes in price differentials and in the allowances for storage and other marketing practices. Substantial "black-market" operations in poultry grew out of these regulations. They were so acute in the spring and summer of 1943 that requisitioning had to be adopted in order to insure ample supplies for the military services. The shortage of meat, of course, contributed to a very heavy civilian demand for poultry products, and lent special incentives to the "black-market" operations.

Permanent ceilings on eggs and egg products, effective late in February 1943, also created a number of problems, although different in character. Price ceilings for dried eggs, compared to ceilings for shell eggs, were set at levels which discouraged dried egg production. Also, seasonal price differentials were established at such high levels that a heavy storage movement was started.

Two food orders were issued late in March 1943 to offset the effects of these ceilings. These orders were designed to prevent speculative storing and to place limitations on the use of eggs. Principal provisions of food orders 40 and 41 were as follows: (1) all shell eggs in storage on May 20 were set aside for use by governmental agencies or for delivery to egg drying plants; (2) the eggs stored after March 25 were required to be removed from storage after June 15; (3) no storage of shell eggs was permitted after May 20, except that working inventories were permitted to allow for current operations; (4) the Food Distribution Administration was obligated to buy all eggs required to be removed from storage; (5) the production of frozen eggs, dried yolk, and dried albumen was limited to that produced during the previous year; and (6) all spray dried whole egg was set aside for governmental use.

The results of the two orders were that by August 1, 1943, 147,497,225 pounds of spray dried whole egg had been contracted for delivery from July 1, 1943, to January 31, 1944, the greater part of which would have to be produced from storage backlogs of shell or frozen eggs. For this production approximately 14,700,000 cases of shell eggs, or the equivalent in frozen form, would be required. On July 1, storage stocks amounted to approximately 9,000,000 cases of shell eggs and 322,382,000 pounds of frozen eggs (shell equivalent - 8,597,000 cases).

Disposition of the 17,600,000 cases and frozen equivalent is estimated to be as follows: (1) 6,000,000 cases - shell eggs held as drying backlog; (2) 1,000,000 cases - shell eggs held by the armed forces; (3) 1,000,000 cases - shell eggs held in set-aside status; (4) 1,100,000 cases - shell eggs held as part of work inventories; (5) 3,500,000 cases (equivalent in frozen form) - held for commercial use; and (6) 5,000,000 cases (equivalent in frozen form) - held as drying backlog. This indicates that the objectives of the orders were achieved.

The prices established under these ceilings were in the aggregate high enough to encourage increased production of chickens, broilers, and other poultry, as well as eggs. Total supplies have not yet become a major problem, therefore, although this problem may arise before the end of 1944.

It was necessary to continue the price-support program for small lots of shell eggs in the Southern States in order to improve prices in that area. The 1941-42 program was continued into July and August 1942 in Florida, Georgia, South Carolina, and West Virginia. A new program for 1943 was started in February 1943 in these States, as well as in Alabama, Arkansas, Kentucky, Louisiana, Mississippi, North Carolina, and Virginia. A standing offer by FDA to buy eggs in lots of 10 cases or more at a fixed price in this area has done much to increase prices and encourage greater production, particularly in those areas where marketing facilities were not developed.

Purchase Programs

More than 200 million pounds of dried whole eggs were purchased during 1942-43 by FDA at a value of over 231 million dollars. These purchases were largely for lend-lease shipment to Great Britian and other Allied Nations. Approximately half of these dried eggs were repackaged under FDA supervision in 5-ounce packages designed to facilitate consumer distribution overseas. These 5-ounce packages contain the equivalent of one dozen shell eggs. A new 14-pound package for dried eggs was developed during the year, involving a rectangular fibre box which not only saved much shipping space as compared with the usual round barrel, but the fibre can be repulped for other uses. Tests are also being made on compressed egg powder tablets to further conserve shipping space.

These dried eggs were purchased largely on a contract basis from approximately 120 plants, most of which have been placed in operation since early in 1941. Advance purchase contracts have been made in most cases to enable egg driers to contract in advance for a supply of eggs so as to keep the plants in operation throughout the year.

Other purchases of egg and poultry products by FDA have included more than 27,000 pounds of frozen chickens, and 57,000 pounds of frozen turkeys for the Caribbean program and for War Shipping Administration; more than 19,000 cases of eggs under the southern price-support program; and almost 228,000 cases of eggs under other programs, largely for Hawaii and War Shipping Administration.

Production Facilities and Packages

Construction of new egg-drying plants continued during 1942-43 with 41 new plants going into operation. These were located in areas where egg supplies were adequate and new facilities were warranted. Total capacity of the new plants (based on a 300-day operation, 22 hours per day) is estimated to be 120 million pounds, bringing the total capacity for the United States up to approximately 425 million pounds of the dry product annually in 126 plants.

During the year it became increasingly evident that many egg drying plants, some of which were tentatively approved by the Food Distribution Administration, were operating with unsatisfactory equipment. Many plants had purchased considerable second-equipment which was continually breaking down. Experiments showed a great many practices and some equipment to be obsolete and unsatisfactory. Much work has been done to improve or correct these conditions. The present egg drying capacity is deemed to be adequate to take care of any anticipated demand for dried eggs and also it is sufficient to dry all of the eggs which will be available for this purpose. The expansion program in the development of egg drying plants is, therefore, completed with the exception of some possible minor expansion in plants, or in the replacement of present equipment and better facilities.

Many applications have been received and approved for priorities for poultry processing equipment, particularly poultry dressing equipment. Principal items for which priorities have been requested are poultry prickers, poultry scalding equipment, feeding and holding batteries, cooling racks, and other related facilities.

Containers for poultry and eggs have probably been revolutionized since the beginning of the war. The scarcity of tin plate necessitated the elimination of this material in the manufacture of 30-pound frozen egg containers. Corrugated and solid fibre frozen egg containers are in general use today. Likewise a shortage of veneer stimulated the development of the 30-dozen corrugated and solid fibre egg case. Research is under way to improve the fibre case, particularly in regard to its tendency to break down in cold storage and in shipment. Further work has been done in standardizing the sizes of shipping containers for dressed poultry. The sizes of these containers are now limited to six for chickens and four for turkeys. This should result in economy and greater efficiency in the production of these shipping containers.

Grades and Quality Standards

Most of the U. S. Standards and Grades for Eggs and Dressed Poultry were revised during 1942-43 to make them more adequate for present conditions. Price ceilings for these products were necessarily based on grades and it was deemed desirable to have these grade specifications identical with U. S. Standards and Grades. The revised Standards and Grades have generally been incorporated in the price ceiling regulation.

Official U. S. Standards for Quality of Individual Eggs were promulgated to take the place of the previous U. S. Standards for Individual Eggs. Tentative U. S. Consumer Grades were issued to take the place of the Tentative U. S. Retail Grades previously in use, and Tentative U. S. Procurement Grades to take the place of U. S. Export Grades for Eggs. Tentative U. S. Wholesale Grades for Eggs were likewise issued to take the place of the previous Wholesale Grades. Tentative

U. S. Standards for Classes and Grades for Dressed Turkeys, Dressed Chickens and Dressed Ducks, Geese, Guineas, and Squabs were issued to replace the previous standards in use.

Considerable work was carried on in formulating specifications for dried eggs and while no U. S. Grades have been issued for these, the specifications developed have been incorporated in the announcements under which dried eggs have been purchased for lend-lease. Additional work has been carried on in developing specifications for frozen eggs and a revision of the U. S. Standards for Classes and Grades for Live Poultry.

A revised color chart showing the appearance before the candle of eggs typical of the four basic U. S. Grades has been prepared and is being distributed in place of the previous color chart.

An extensive educational and demonstrational program has been organized to familiarize all groups including producers, handlers, and consumers with the requirements of the various U. S. Standards and Grades and the cooperative Federal-State inspection and grading procedure. This was initiated by the calling of regional conferences to which there were invited representatives of all educational, trade and regulatory groups in the respective area. At these regional conferences plans were outlined for conducting educational and demonstrational programs for handlers, producers, and consumers, and for training official and non-official graders. These have been, and are being, followed by the organization of State committees through which the needed educational and demonstrational programs may be carried to the interested groups in the various States, counties, and communities.

Processing and Marketing Methods

Work on processing and marketing practices has centered largely on the production of dried eggs for war use. This has involved mainly the analysis of reports on dried egg powder received from the Chicago laboratory. By virtue of these analyses, it has been possible to determine the plants which were doing the best and most consistent job and the plants which were doing a marginal or unsatisfactory job. This in turn has made it possible to focus attention on these marginal plants so that steps may be taken to bring about improvement in the quality of the powder manufactured by these plants and, thereby an average improvement in the total powder manufactured. Six experienced technicians have worked with egg breaking, egg freezing, and egg drying plants in supervising operations and techniques to insure the production of quality products to meet War Food Administration requirements.

Cooperative projects have been developed with the Bureau of Animal Industry and the Bureau of Chemistry and Engineering to determine the best method of shell treating eggs to preserve quality in storage and the best method of preparing and packing canned boned chicken.

Farm Sales and Disposition of Poultry and Egg Products

Commodity	Farm production	Eggs used for hatching	Farm consumption	War uses 1/	Sales for civilian use	Civilian per capita consumption
	(Millions of dozens)					(Pounds)
Eggs:						
1936-40 av.	3,131	126	664		2,341	38.5
1941	3,480	147	649	202	2,482	39.5
1942	4,018	168	636	652	2,562	40.1
1943 2/	4,545	207	633	1,303	2,402	43.4
	(Millions of pounds, dressed weight)					
Chickens: 3/						
1936-40 av.	2,467		767		1,684	18.8
1941	2,650		713	76	1,654	20.3
1942	3,011		708	135	1,899	21.9
1943 2/	4,000		720	176	2,835	29.0
Turkeys:						
1936-40 av.	436		20		411	3.0
1941	521		19	12	483	3.6
1942	531		18	18	511	3.8
1943 2/	531		19	46	466	3.5

1/ Poultry and egg products in all forms for United States Military and Lend-Lease purposes.

2/ Estimated.

3/ Includes commercial broilers.

II. MANUFACTURED DAIRY PRODUCTS

Peak production levels for the principal manufactured dairy products were reached during the 1942-43 fiscal year, and during the latter half of this year production began to recede from these peak levels. This total supply condition was the combined result of a leveling off in total milk production, a leveling off in the quantity of whole milk sold at wholesale by farmers, and a continued steady increase in the volume of milk sold as fluid milk and fluid cream. These joint developments left a smaller volume of whole milk to be processed into cheese, evaporated milk, dry whole milk, and skim milk powder.

At the same time war demands for these principal dairy products, including creamery butter, continued to increase particularly as more U. S. soldiers, sailors, and marines were sent over seas and the demands on the part of the military forces for manufactured dairy products which could be shipped and stored necessarily increased.

The over-all supply picture and the character of distribution problems under these conditions shifted drastically during 1942-43. In early summer of 1942, for example, it was necessary to ask manufacturers of evaporated milk to retreat from the high level of production which they had attained. More than 20 million cases of evaporated milk were in the hands of the Government and the serious shipping situation made it necessary to reduce lend-lease, as well as military and overseas' shipments. Evaporated milk production was reduced. However, civilian demand increased sharply. During the seasonally low producing months of December, January, and February, civilian supplies were short and substantial quantities of evaporated milk were released into civilian trade channels. When the shipping situation improved and war demands increased sharply in the spring of 1943, it was not possible to increase production rapidly because of the limited volume of milk available. The result was that it was not possible to satisfy the requests of all of the claimant agencies for evaporated milk. Also, it became necessary to inaugurate consumer rationing of evaporated milk early in June 1943. It appears that rationing will have to continue until the end of the war and that it will not be possible to meet all requests for evaporated milk on the part of lend-lease and military agencies.

A shift of essentially the same character took place during the year in the supply and distribution picture of dry or powdered skim milk. In the fall of 1942, supplies of spray process powdered skim milk were short, but the Government holdings of roller process powdered skim milk were particularly heavy. Part of these stocks were released to the trade in November, December, and January in order to relieve the storage situation and to provide powder to bakers in order that they might comply with the requirements of the Food Distribution Order No. 1 - Bread - with respect to milk content. By the end of the fiscal year, total production of powdered skim milk was running substantially below a year ago and it had become necessary to issue an order requiring all manufacturers of powdered skim milk to set aside 75 percent of their percent of their production for sale to the Government. Even with this order it has been necessary to deny many of the urgent requests from lend-lease and military claimants for powdered skim milk.

Production of dried whole milk has continued to increase and by June 1943, was at a level sufficient to supply all of the urgent war requirements and to leave approximately normal supplies in civilian trade channels.

Production of both cheese and creamery butter declined somewhat during 1942-43 under the general impact of a lower total supply of milk for manufacturing purposes. Both products were placed under point rationing late in March 1943. Particularly for American cheese, the production of which had greatly increased in 1941-42, the supplies available for war purposes in 1942-43 were substantially less than the requests from various claimant agencies for this product.

The primary turning point in the entire supply and distribution situation for manufactured dairy products occurred in September and October 1942 with the imposition of price ceilings on these products and the continued sharp increase in civilian consumption of fluid milk and cream. Prior to this time there had been no price control on manufactured dairy products with the exception of support prices which were administered through Government purchase operations. The total production of manufactured dairy products had been increasing steadily with support prices at levels designed to encourage this steady increase in step with expanding needs. Milk was successfully diverted from the production of one product to that of another by changing relative prices. War requirements for the various products had been shifting substantially, largely with changes in the amount of shipping space available for food products moving abroad.

Maximum prices for individual sellers were established for all of these products at the levels existing from September 28 to October 2, 1942. Permanent and uniform price ceilings were developed for these products and at the same time it was announced that the Department of Agriculture would support dairy products prices on the central wholesale markets at the ceiling levels. These levels were 46 cents for butter, 12-1/2 cents for roller process skim milk powder, 14-1/2 cents for spray process skim milk powder, the equivalent of 27 cents for American cheese, including a subsidy of 3-3/4 cents per pound, and the equivalent of about $4.10 per case for evaporated milk. Some of the other products, such as condensed skim milk, whole milk powder, and other types of cheese are not yet under uniform ceilings, but prices are frozen at the levels which prevailed during the period from September 28 to October 2, 1942.

With these prices in effect, together with the ceilings which were already in effect on milk for fluid use, the returns to farmers for milk and butterfat were stabilized, and with support prices at the ceiling levels the relative returns to farmers from different uses of milk were stabilized.

There remained at the end of the year several outstanding problems with respect to the supply of milk available for processing into these various products and the division of this supply among the separate products. First, the relative market values for whole milk and for farm separated cream were such that the shift from the delivery of farm separated cream to whole milk had largely ceased. The value of skim milk for manufacturing must be increased in order to take care of this problem. Second, market values for milk going into whole milk powder and condensed skim milk were encouraging the diversion of milk to these products to an undesirable extent. In whole milk powder, for example, many plants were making roller process powder for sale to bakeries for immediate consumption. A third outstanding problem was the continued diversion of both milk and cream to

fluid use. Fluid milk sales were continuing to increase and fluid cream demand was such that cream was being drawn away from many manufacturing plants in the Middle West for Eastern consumption. Finally, there was a need for uniform ceilings on the additional products such as condensed skim milk, animal feed powder, and other products which had not by the end of the year been placed under uniform ceilings.

The over-all production problem involves the basic level of all dairy products prices. Total milk production on farms leveled off beginning in October 1942; for the first six months of 1943, total milk production on farms was exactly equal to production a year earlier. Returns to dairymen for milk production had increased less since the war started than returns to farmers for most other major farm products, particularly those products using the same feed and other farm resources as dairying.

Allocations and Procurement Procedures

The dairy products most essential in direct war programs were fairly plentiful relative to total needs until late in 1942. Beginning in November 1942, however, it began to be necessary to take emergency steps to divide the supplies of the various dairy products among the war agencies and among civilians. These emergency steps were along three main lines: (1) Limitation orders restricting the use of milk for particular products; (2) Controlled distribution of limited supplies of particular products among civilians; and (3) Set-aside or reservation orders requiring that a specified part of the production of various products be reserved for sale to Government agencies.

Limitation orders were first placed on the sale of cream and the production and sale of ice cream in November 1942 by the War Production Board and replaced by Food Distribution Orders effective early in February 1943. Food Distribution Order No. 13 prohibits the sale of cream having a butterfat content in excess of 19 percent, except sales on physicians' prescriptions, and except sales in those states where the order conflicts with State laws. The order is designed to divert approximately 80 million pounds of butterfat to more essential uses.

An order, FDO No. 8, limiting frozen dairy food and mix, applies to approximately 15,000 "Processors" manufacturing products which include ice cream, ice milks, milk ices, frozen custards, sherbets, ice cream mix, ice cream powders, milk shake mix, and similar preparations. It is intended that the milk saved under Food Distribution Order No. 8 will be available for consumption as fluid milk, or processing into milk powder, butter, cheese, or other products in greatly increased demand by the armed forces, civilians and allied nations. Savings under the order are estimated to approximate the equivalent of nearly 100,000,000 pounds of butter and over 60,000,000 pounds of dry skim milk a year.

To accomplish this saving, the order provides: (1) Processors must limit the utilization of total milk solids in all frozen dairy foods made for civilian consumption to 65 percent of the base period, December 1, 1941, to November 30, 1942: (2) the total milk solids content of all ice cream and related products must not exceed 2 percent, by weight; (3) processors may not use more than 8 parts of milk solids-not-fat to each 10 parts of milk fat in ice cream; and (4) processors

Production of dairy products in the United States, by fiscal year

Year	Creamery butter 1/	Cheese, American whole milk	Evaporated milk unsweetened, unskimmed, case goods	Dried or powdered whole milk	Dried or powdered skim milk (human)
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
1935-36	1,649,378	494,031	1,839,510	19,088	199,858
1936-37	1,629,899	497,528	2,070,956	14,363	243,150
1937-38	1,685,302	536,900	2,025,124	18,078	267,008
1938-39	1,826,594	538,721	2,092,975	22,703	279,212
1939-40	1,790,649	567,905	2,307,020	28,152	298,925
1940-41	1,880,793	647,134	2,649,584	37,571	345,806
1941-42	1,789,246	936,605	3,903,454	51,428	475,795
1942-43	1,764,710	794,141	3,064,826	103,649	513,778

1/ Excludes farm butter production which has been about 400,000,000 pounds annually.

may utilize for the production of frozen dairy foods other than ice cream (sherbets, custards, ice milk, etc.) up to 10 percent of the quota of total milk solids or the same amount as they used during the base period if within their quota, whichever is the higher.

To provide an adequate supply of ice cream and other frozen dairy foods for the armed forces, the order exempts deliveries of these products to designated military agencies. Ice cream made for the armed forces, however, may not exceed the limits set on total milk solids content and the ratio of eight parts of milk solids-not-fat to ten parts of milk fat.

During the first six months of operation under the order, close cooperation by the frozen dairy foods industry was an important factor in achieving insofar as possible the objectives set forth above.

Distribution of manufactured dairy products among civilians has been facilitated through the controlled release of evaporated milk and skim milk powder last winter and through the rationing of butter, cheese of all types other than cottage cheese, and evaporated and condensed milk. Through rapid shifts in war requirements and the operation of price supporting purchase programs, the War Food Administration had accumulated large stocks of roller process skim milk powder and of evaporated milk by the end of 1942. Close to 4 million cases of evaporated milk and over 20 million pounds of skim milk powder were resold to the trade during the winter months of short civilian supply, to be distributed in the areas of most critical shortages.

Direct war demands for dairy products increased sharply in the spring of 1943, with the growing military personnel and the improved shipping situation. It became necessary, with supplies restricted, to limit civilian consumption to the point where consumer rationing became necessary. Butter and the principal types of whole milk cheese began to be rationed late in March 1943. Evaporated and condensed milk rationing was started early in June 1943. Other types of cheeses were also placed under rationing about the same time.

All of these dairy products have been rationed from the outset under the point system, along with meats and fats. Point values have been altered somewhat on butter and the cheeses other than Cheddar or American cheese in order to bring effective demand more nearly into line with supplies available for civilians. There had not been sufficient experience by the end of June 1943 to appraise in conclusive terms the effect of this method of rationing in creating the desired distribution pattern for these dairy products. Tentative analyses indicated several rather serious problems regarding both geographical distribution and distribution among different consumer groups.

The set-aside or reservation orders on dairy products have been designed (1) to implement consumer rationing by leaving in civilian trade channels only the approximate allocation to civilians each month and (2) to serve as a procurement technique to insure war agencies their allocated supplies. Plans along these lines were made late in 1942 when price ceilings and price supports at the ceiling levels were announced. Such plans contemplated no pattern of seasonal variations in price and no storage operations by the trade, since it was apparent that the

quantity allocated to civilians would be about equal to or less than production in the seasonally lowest months of production. Variations in the percentage required to be set aside for sale to the Government are planned to accord as closely as practicable with seasonal variations in production. Thus purchases are heavier in the heavy production months and Government stocks are build up to supply war-needs during the short production season.

On butter, the first temporary order issued by the War Production Board in November 1942 (later reissued as FDO No. 12) required half of the butter in storage in 35 cities to be held for sale to the Government. This was necessary to meet an acute procurement problem for the Army and for Russia. The permanent set-aside order FDO No. 2 on butter became effective on February 1, 1943, requiring every person producing more than 12,000 pounds of butter in any month of 1942 or in January 1943 to set aside and hold for delivery to designated agencies at least a specified percent of the quantity produced beginning February 1, 1943. The percentage was 50 for May, June, and July, 30 for August, 20 for September, with no percentage for October 1943.

As a result of the order, urgent military requirements were met on schedule. General industry cooperation was achieved, and it became apparent that the order or some modification of it should be continued as the best method of dividing limited butter supplies. Administrative problems arose mainly in deficit areas where all of the production had formerly been consumed locally. In these cases, the set-aside program represented a distinct departure from normal operations. On the other hand, in the heavy production areas, the order was accepted as completely workable.

The order on cheese, FDO 15, which follows a pattern similar to the butter order, provides that each cheese manufacturer who produced more than 8,000 pounds of Cheddar cheese in any calendar month during the period from January 1942 through January 1943 shall set aside and hold for delivery to designated Government agencies a specified percentage of his manufacture. These percentages are varied monthly so as to leave an approximately uniform monthly quantity of cheese available for civilian consumption, and were fixed at 50 percent for the months of February, March, and April, 70 percent for May, June, and July, and are 60 percent for August and September, and 50 percent for October.

On skim milk powder, the first set-aside order (DA-1) applied only to spray process powder. Issued early in November 1942, it reserved 90 percent of the production for Government use. Demands during early 1943 for skim milk powder became so heavy that most claimant agencies requested either roller process or spray process powder. As a result, this early order was replaced on June 1, 1943, by FDO No. 54 reserving 75 percent of both spray and roller skim milk powder for sale to designated Government agencies. This percentage does not vary seasonally as in the case of butter and cheese.

Set-aside orders have not been used for whole milk powder, nor for evaporated and condensed milk. For whole milk powder, the high perishability of the product has precluded the building of Government stocks and has necessitated a procurement schedule closely geared to immediate needs. The small number of processors and well organized industry associations have made formal procurement orders unnecessary for evaporated and condensed milk.

Purchase Operations

Total purchases of dairy products by and for FDA during 1942-43 reach a value of about $175,000,000. Such purchases included 149 million pounds of butter, 155 million pounds of cheese, 197 million pounds of skim milk powder, 31 million pounds of whole milk powder, 3 million cases of evaporated milk, and 900,000 cases of sweetened condensed milk.

These purchases were made to acquire supplies for lend-lease and other emergency purchases, and to carry out the commitments of the Secretary of Agriculture and the War Food Administrator to support prices of the major dairy products. The announced support prices corresponded with the price ceilings established by the Office of Price Administration. Accordingly, the purchases were made on the basis of such price ceilings.

Purchases of dairy products for Food Distribution Administration continued to be made through the Federal Surplus Commodities Corporation and the Dairy Products Marketing Association, an organization of regional dairy marketing cooperatives which has been assisting the Department of Agriculture in operating its purchase and stabilization programs since 1938. Purchases of butter and natural Cheddar cheese in the open markets have been made through the Association under an arrangement whereby the Association has purchased, handled, stored, and sold such products as agents of the Commodity Credit Corporation, as directed by the Food Distribution Administration. The Association has been storing such products for subsequent disposal by sale to the Federal Surplus Commodities Corporation as needed for lend-lease and other emergency requirements, or by sale to the Armed Forces or other agencies as directed. Procurement through the Association has facilitated and expedited prompt purchase, delivery, and payment for the products set aside pursuant to Food Distribution Orders. The Federal Surplus Commodities Corporation has continued to purchase natural cheese on the Wisconsin Cheese Exchange as well as to buy process cheese, dried skim milk, evaporated milk, sweetened condensed milk, and dried whole milk directly in the open markets.

A special problem arose at the time of the rollback in butter prices announced by the Office of Price Administration. Provision was not made for payment of the subsidy on stocks of butter. It became apparent that prices to creameries and to farmers would be decreased during the few weeks prior to the effective dates of the rollback and subsidy unless emergency action was taken. After consultation with the Office of Price Administration, the Food Distribution Administration announced that it would stand ready to purchase through the Dairy Products Marketing Association at the re-rollback prices any butter offered in carlots up to the effective dates of the rollback in accordance with the commitment to support prices. During the month preceding the effective time of the rollback in prices, Dairy Products Marketing Association purchased about 78 million pounds of butter. These purchases prevent reductions in prices to farmers as well as serious financial losses on butter inventories held by cooperative and private creameries and handlers of butter. However, the heavy purchases represented almost entirely a speed-up in the sales and deliveries of set-aside butter. The total purchases by Government agencies from February 1 to June 30 during which period the set-aside order had been in operation, were less than the total quantity required to be set aside. The price rollback and the emergency purchase action resulted in an unavoidable temporary shortage of civilian supplies in early June. However, by distributing the early June production in domestic channels, and setting aside butter for Government agencies out of late June production, the trade was able to restore

civilian supplies to the allocated civilian consumption level. Since the effective dates of the rollback in butter prices, Government agencies have purchased butter at the new price ceilings. Such purchases, together with the subsidy of 5 cents per pound paid to creameries by the Reconstruction Finance Corporation, have tended to maintain prices to farmers for milk and cream at the pre-rollback level.

Cheese Subsidy Program

Cheddar cheese prices were unusually low relative to other dairy products when price ceilings were established in October 1942. Action was necessary to make the value of milk for cheese production equal to its value in producing other dairy products in order to maintain the production of Cheddar cheese in sufficient volume to supply military and lend-lease needs. Because of the "hold the line" general price policy, a cheese subsidy program was adopted in lieu of an increase in ceiling prices for cheese, after consultation with and upon advise of the Director of Economic Stabilization.

The subsidy program became effective December 1, 1942. It has been financed by the CCC and administered by the FDA using the services of Dairy Products Marketing Association in carrying out the mechanics of the program.

Briefly, the program has been operated as follows: A standard offer of the Commodity Credit Corporation was distributed to cheese factories and accepted by them. It provided that Commodity Credit Corporation would purchase cheese produced by factories on the basis of 27 to 27-1/4 cents per pound, according to moisture content of the cheese, and simultaneously resell the cheese to the factories on the basis of 23-1/4 cents which is the ceiling price. Each month the factories would file applications for the difference of 3-3/4 or 4 cents per pound. Provision was included to require factories to distribute the subsidy to producers supplying milk in addition to prices otherwise paid for such milk.

From December 1, 1942, through June 30, 1943, $11,377,000 were paid on 300 million pounds of cheese, to approximately 1,900 cheese factories. It is estimated that by enabling Cheddar cheese factories to pay as much for milk as other dairy processing plants, the program has maintained cheese production at least 100 million pounds larger than it would have been without either the subsidy or an upward adjustment in prices.

Dairy Products Standards

All existing Federal standards for dairy products were carefully analyzed and reviewed during 1942-43 in consultation with representatives of producers, handlers, and State agencies, in the light of new developments in quality improvement and control, practical experience, and new conditions of production, processing, and handling. Revised official U. S. standards for grades of Cheddar cheese, dried skim milk, and dried whole milk were issued. In addition, suitable specifications for products needed for special war uses have been developed and advisable standards for other dairy products studied. Such standards and specifications constitute the basis of Federal grading by the Food Distribution Administration. This service not only is used in connection with all purchases of dairy products for lend-lease and other war programs, but also is available to the whole dairy industry.

Processing and Marketing Facilities

The extreme perishability of milk coupled with the expanded volume of production since the start of the war has placed an unusual strain upon the entire dairy manufacturing industry. Operations have had to continue at top speed and yet repairs, replacements, and expansions of capacity have become increasingly difficult in view of the shortages of metals and trucks and tires.

Materials and equipment for repairs and replacements have been provided for under orders issued by War Production Board. Food Distribution Administration has assisted both the industry and War Production Board in this connection by bringing to the attention of the latter agency cases needing emergency action. The Administration has submitted recommendations to War Production Board concerning advisable revisions of its orders to adequately meet the needs of the dairy industry for repairs and replacements. Also estimates and recommendations as to the requirements for such items as milk cans and other containers were submitted to the War Production Board.

Facilities for processing manufactured dairy products have been concentrated largely in certain areas where whole milk normally has been marketed by farmers. The major potential sources of more milk solids are the areas where farmers normally have separated the milk, retained the skim milk for livestock feeding, and delivered the cream to creameries for manufacturing into butter. Accordingly, the major part of the facilities program has been to expand present facilities and establish additional facilities for delivering, handling and processing whole milk in such areas as fast as farmers have shifted from cream to whole milk deliveries. Food Distribution Administration has encouraged such shifts and such expansion. It has reviewed and investigated applications for priorities on equipment for such expansion. It has recommended such priorities for all projects where available milk supplies and lack of adequate facilities warranted the establishment of expanded or new facilities. The expansion so far has taken place largely in areas of heavy production where shifts could be readily made in sufficient volume to warrant plant expansion. The possible extent of further facilities expansion will depend largely upon the extent of further shifts from cream to whole milk deliveries. Further extensive shifts were not in prospect under the price conditions existing at the end of the fiscal year. Because of the greatly increased war requirements for drying milk, major emphasis was placed on expansion in facilities for producing dried skim milk and dried whole milk during the fiscal year. Priorities were recommended on equipment for about 70 drying units, principally for dried skim milk. In addition, priorities were recommended on numerous items of equipment to enlarge the capacity of existing drying facilities as well as facilities for processing other dairy products from whole milk.

Meanwhile, the Administration has continued to encourage and assist various operating organizations in the industry in considering possible locations and in developing facilities expansion projects.

Encouragement was given to expansion of facilities for making such products as casein, dried buttermilk, dried whey and milk sugar. Such products contribute needed supplies for human food, industrial uses or animal feed. In some cases, the volumes or quality of skim milk or whey are not adequate at the start to warrant establishing facilities only for producing human food. However, the establishment of facilities which may be used for either purpose encourages and permits a gradual improvement in quality and increase in volume suitable

for human food. Meanwhile, they add to the supplies for industrial and animal feed uses.

The program for lend-lease financing of facilities in cases where other financing was not available was continued during the fiscal year. This program is available to farmers' cooperatives which arrange with the Farm Credit Administration or Farm Security Administration to secure temporary loans with which to construct new facilities. The program provides that upon completion, the Government will purchase the facilities and lease them to the cooperatives for operation upon agreement by the cooperatives to sell the products to the Government for lend-lease uses. It also provides that the cooperatives may purchase the facilities at the end of the emergency. During the fiscal year 8 lend-lease skim milk drying facility projects were approved. Several more were in process of development at the end of the fiscal year.

During the fiscal year 9 applications for certificates of necessity were recommended. These certificates issued by the War Department authorize private corporations to amortize over the period of the emergency investments in facilities deemed necessary to the war effort.

Special attention in the way of marketing facilities has been given to milk hauling problems, both with respect to local farm-to-plant hauling and long-distance hauling in tank trucks. A special program was developed in cooperation with the Office of Defense Transportation and the War Production Board for the construction of almost 200 new tank trucks. Their allocation was handled largely on the basis of analyses of needs and individual recommendations by the Food Distribution Administration. The supply of trucks for farm-to-plant hauling remains a major problem for 1943-44, with many of the trucks now in use beginning to need replacement or major repairs.

Packaging problems for milk and dairy products have also been carefully analyzed, and in each case where critical materials have been involved, appropriate recommendations have been made to War Production Board for necessary alterations. Special problems have been encountered with respect to the supply of tin and steel for farmers' milk cans, as well as for evaporated milk and condensed milk, processed cheese, whole milk powder, and milk infant foods; wooden boxes for export shipments; and with respect to paper for fresh milk containers and other uses. Experimental work with the industry has in several cases, facilitated the use of substitute materials, and the maintenance of a close working relationship with War Production Board and others has prevented serious delays due to package problems.

III. FLUID MILK AND CREAM PRODUCTS

Increased sales of fluid milk, fluid cream, and fluid by-products, such as buttermilk and cottage cheese, took place in all major milk markets during 1942-43. Higher consumer incomes and the scarcity of other foods, particularly coffee and soft drinks, were largely responsible. In many individual markets, the problems of supplying the heavier demands were intensified by the influx of war workers and military personnel. In all areas, however, per capita sales in June 1943 appeared to be 8 to 12 percent higher for fluid milk than in June 1942.

Retail milk and cream prices were "frozen" in May 1942 at the March 1942 level under the General Maximum Price Regulation. During the winter and early spring of 1942-43 prices in most major markets were increased about 1 cent per quart, although in many smaller markets the prices had not been changed by July 1943. In February 1943, prices which might be paid producers for milk for fluid milk use were frozen at the January 1943 level. These regulations have been generally effective in stabilizing such prices, but they have also influenced both the production an d the sales of fluid milk. Prices have not been high enough in some sections to stimulate increased supplies to the extent necessary to keep pace with sales increases. By the same token, the fact that fluid milk prices have increased less since the war started than the prices of any other major food product except bread has encouraged the consumption of fluid milk.

Transfers of milk between markets have been facilitated by the fact that no price ceiling has been placed om the sales of milk from one handler to another. This has meant that milk dealers im those markets which have been short im supply have been able to secure milk from long distances and to negotiate freely with dealers in other markets for extra supplies. The lack of price regulation for this type of sale has led, however, to some hoarding of milk and has adversely affected those dealers in the larger markets who depend upon other dealers for their milk and do not buy directly from producers.

In most of the markets along the Atlantic, Gulf, and Pacific Coasts, local milk supplies were inadequate to meet local demands during all or most of 1942-43. It has been necessary to ship milk into these areas from other markets which traditionally have large quantities of milk in excess of their fluid sales. The concentration of military training camps in the Southern States has necessitated the movement of a great deal of milk from northern markets to these southern areas. In some cases, this milk has been moved in bottled form from other markets. In other cases, milk processors have expanded their facilities in the South and have transported the milk in bulk form.

Continued increases in fluid milk sales have exerted tremendous pressure on milk health regulations and resulted in fluid milk dealers reaching out further for supplies and attempting to transfer large producers from manufacturing outlets to fluid markets. There is every prospect that this pressure will become even greater in the fall and winter of 1943-44 unless corrective measures are taken. It will undoubtedly be necessary during the year, in order to protect manufacturing supplies and in order to prevent a further breakdown of fluid milk price control and established marketing methods, to adopt some means of curbing further expansion of fluid milk sales. It seems probable that an attempt will be made to do this without resorting to individual consumer rationing of fluid milk. The problem is complicated by fairly wide variations in per capita consumption among different sections of the country and by fundamental differences in marketing methods and consumption habits. A series of local limitation orders may be adopted for this purpose.

The only step which has been taken along this line so far has been the issuance of a food order prohibiting the sale of fluid cream having more than 19 percent butterfat. This measure was taken in December 1942 and has been effective in conserving butterfat for more essential uses. Sales of cream having 19 percent butterfat or less have continued to increase, however, and in some markets, the

total amount of butterfat being sold as fluid cream by July 1943 was almost equal to the volume sold before this limitation order was issued. In other markets the total volume of cream sales is still below former levels. However, without the order, cream sales undoubtedly would have been much larger. It will undoubtedly be necessary to take further action to restrict the amount of butterfat and solids-not-fat being sold as fluid cream.

Milk Marketing Orders and Agreements

There were 26 marketing agreement and order programs in effect for fluid milk during all or part of the year ended June 30, 1943, under the authority of the Agricultural Marketing Agreement Act of 1937, as amended. Approximately 130,000 producers, handling about 14 billion pounds of milk worth more than 408 million dollars were subject to this marketing agreement program. (See table.)

Twenty-one hearings were held during the year, 20 at the request of producers principally on questions of price increases, and one on an Emergency Price Amendment proposed by the Dairy and Poultry Branch. In addition to the Emergency Price Provision added to all orders (20) in effect in June 1943, 17 amendments to existing orders were issued during the year. Final action on hearings held in Louisville and the Duluth-Superior markets was still pending July 1, 1943. One hearing resulted in a new program, that in St. Joseph County, Indiana. A proposed new program in Cumberland, Maryland, failed to receive the required producer approval to make it effective.

The regulation in Memphis, Tennessee, on which a hearing had been held in June 1942, became effective October 4, 1942. This order was suspended at the request of the producer cooperative in January 1943 and terminated in June 1943.

The hearing on the Emergency Price Provision referred to above was held in the Auditorium of the Agriculture South Building on May 28, 1943. Examination of all marketing agreements and orders showed that the roll-back and subsidy program announced for butter would have the effect of changing the prices paid to producers in Federal order markets. The amendment provided that in calculating prices, market administrators should use the average market price quotation or the quotation plus any subsidy payments, whichever is higher. This amendment was issued effective June 21 in the following markets: Chicago, Illinois; Cincinnati, Ohio; Duluth-Superior (Minnesota-Wisconsin); Ft. Wayne, Indiana; La Porte County, Indiana; Louisville, Kentucky: New Orleans, Louisiana; Quad Cities (Illinois-Iowa); St. Louis, Missouri; Toledo, Ohio; Greater Boston, Massachusetts; Dubuque, Iowa; Fall River, Massachusetts; Greater Kansas City (Kansas-Missouri); Lowell-Lawrence, Massachusetts; Omaha-Council Bluffs, Nebraska; Philadelphia, Pennsylvania; Sioux City, Iowa; and Washington, D. C., and effective June 24 in New York, New York.

Several old license and order programs were terminated during the year, including Kalamazoo, Detroit, Fall River (the license and an old order), and New Bedford. The Memphis order was also terminated.

A new order was put into effect in Cincinnati, Ohio, in November to take the place of the Mediation Agreement in effect at that time. It is anticipated that the former order for Cincinnati will be terminated in the near future.

Many of the marketing agreements and orders have provisions for seasonal price reductions for the summer months. Provisions of this type were suspended this year in order to encourage production in a number of Federal markets, including New York, Chicago, Toledo, and Louisville.

Preliminary estimates of total number of producers and producer-distributors, estimated total volume, and estimated total returns to producers in various markets under Federal control for a 1-year period, July 1, 1942-June 30, 1943

Market	Number of producers and producer handlers	Estimated total volume	Estimated total returns to producers
	Number	1,000 lbs.	Dollars
Battle Creek, Mich.	258	25,365	7374243
Boston, Mass.	14,157	1,232,805	36,834,033
Chicago, Ill.	17,658	2,364,545	65,862,576
Cincinnati, Ohio 1/	4,636	244,093	7,915,503
Denver, Colo. 2/	1,498	79,967 3/	2,077,479
Dubuque, Iowa	174	24,623	623,246
Duluth-Superior, Minn.-Wis.	1,403	89,999	2,549,783
Fall River, Mass.	302	41,724	1,701,096
Fort Wayne, Ind.	699	41,028	1,247,306
Kansas City, Mo.-Kans.	1,570	187,192	5,703,068
La Porte County, Ind.	252	16,339	490,223
Louisville, Ky.	1,630	164,060	5,337,278
Lowell-Lawrence, Mass.	915	89,470	3,372,119
Memphis, Tenn. 4/	383	24,199	910,123
New Orleans, La.	2,197	150,472	4,763,508
New York, New York	55,178	6,079,830	180,964,549
Omaha-Council Bluffs, Nebr.-Ia.	2,348	130,872	3,580,712
Philadelphia, Pa.	9,748	971,095	34,693,982
Quad Cities, Ill.-Ia.	1,198	84,857	2,229,949
St. Louis, Mo.	3,782	362,116	11,466,371
Sioux City, Ia.	562	36,246	943,735
Toledo, Ohio	2,116	101,441	3,668,362
Topeka, Kans.	187	19,915 3/	565,512
Twin Cities, Minn.	5,435	501,210	13,932,157
Washington, D. C.	1,53[illegible]	401,180	14,883,712
Wichita, Kans.	387	46,071 3/	1,330,268
Total	130,241	13,530,714	408,383,893

1/ July 1 - November 22, 1942, operating under a mediation agreement (represents about 70 percent of the market).
2/ License suspended January 15, 1943.
3/ Reported as butterfat and converted to milk equivalent.
4/ Order effective October 4, 1942. No figures reported after January 19, 1943 - terminated June 22, 1943.

Relief milk provisions in agreements and orders providing that producers get less for milk used for relief milk purposes than for milk used for other fluid uses, were also suspended in several of the markets.

Handler compliance with milk marketing orders continues to be practically complete in all markets. During the year about 50 new cases arose. Approximately 20 of these resulted in court action and about 30 cases which arose during the year have not yet been taken to court. There were about 130 legal actions involving noncompliance with orders pending on June 1, 1943. These cases involved about $1,200,000 as due to the market administrators and a small amount as due to producers. Noncompliance represented only about 5 percent by number of handlers who are subject to milk orders and probably less than 1 percent of the volume of milk regulated under milk orders.

In all cases litigated during the past year where the violations consisted of failure to file reports, underpayments to producers, failure to pay administrative assessments, or failure to pay producer-settlement charges, the handlers have been ordered by the courts to comply.

There were about 49 petitions which had been filed under section 8c(15)(A) of the Agricultural Marketing Agreement Act of 1937 pending on July 1, 1942. The petitions that have been filed generally challenge interpretations of the orders. A few challenge the legality of provisions which have been included in milk orders. In the majority of the cases disposed of during the year, the Secretary has denied the relief requested by the petitioner.

Fluid Milk Purchase and Resale Program

To implement the actions for higher prices to producers of fluid milk in the face of retail price ceilings, a program was developed to pruchase and resell fluid milk to handlers at a loss. This program has been financed by the Commodity Credit Corporation and has been operated by the Food Distribution Administration in cooperation with the Federal milk market administrators. The program was first approved by the President on October 2, 1942, and provided for its operation during the last three months of the calendar year 1942. The program was designed to make it possible to raise prices to fluid milk producers without increasing the cost of milk to consumers.

The program as originally recommended and approved was established in three federally regulated milk marketing areas, namely, the New York metropolitan area, the Duluth-Superior area, and the Chicago area. It was terminated on December 31, 1942, and was superseded by adjustments in retail price ceilings which were authorized by the Director of Economic Stabilization. The total cost of the program for this initial period was $2,433,000.

A new purchase and sale program was approved by the Director of Economic Stabilization on April 15. Producer price increases had been authorized in a few areas just prior to the President's "Hold-the-line" order of April 8; however, in view of the President's order, handlers were not permitted to raise retail prices. In order to handle the conflict the purchase and sale program was renewed. The new program was established in the following markets: Washington, D. C.; Arlington-Alexandria; Baltimore; Philadelphia; suburban Philadelphia; Pennsylvania areas Nos. 4, 6, 8, and 12; Wilmington; and Omaha-Council Bluffs; at a cost of approximately $570,000 per month.

The plan followed under these programs was for the Commodity Credit Corporation to purchase milk distributed in each market for consumption as fluid milk, paying for this milk the prices which handlers were obliged to pay to farmers. The milk was resold to the handlers by the Commodity Credit Corporation at lower prices. Handlers participating in the program were required to comply with the maximum price regulations for milk issued by the Office of Price Administration, with the applicable Federal milk orders, an d in the case of the latter program, with Food Distribution Order No. 11.

Milk Marketing Economies

Shortages of manpower, gasoline, rubber, and other vital resources together with the desirability of keeping living costs within reasonable limits, made it apparent during the first year of the war that a close study of the fluid milk industry should be made to ascertain all practical possibilities for the effectuation of reduced distribution costs for fluid milk. A number of emergency research projects, both on a national and specific market basis, were undertaken to satisfy this responsibility.

As a result of this effort, a series of conservation measures of sufficient scope to affect the price of milk to consumers were developed. On January 23, 1943, Food Distribution Order No. 11 was issued requiring action by the milk industry on a Nation-wide basis to simplify distributors' operations, as the preliminary step to further orders which might be issued in particular markets.

More detailed work looking toward detailed economy programs has been undertaken for a selected number of local markets, including particularly New York and Chicago. No local programs have been made effective so far, although several are still under active consideration. In such programs, it would be necessary to coordinate the work of a number of governmental agencies. Also, each such program raises a number of major policy questions on labor relations, standards of service, and public regulation of the milk industry.

IV. INSPECTION AND GRADING OF DAIRY AND POULTRY PRODUCTS

Continued expansion of inspection and grading work on dairy and poultry products was necessary during 1942-43. This expansion involved larger volumes graded for most of the principal products. It involved increased emphasis on grading through the establishment of price ceilings based on official standards. Cooperative agreements with several additional States were completed during the year to provide grading service in a wider area.

Inspection and grading work during 1942-43, was affected to a considerable extent by a tremendously increased demand for grading service on account of purchases of dairy and poultry products by governmental agencies, and others, in connection with the war effort. Such purchases are based on U. S. Grades. Inspection, grading, and check-weighing of dairy and poultry products, therefore, establishes the basis for payment for such products for use by the Armed Forces and lend-lease, under

the various set-aside orders, and also determines compliance with contract specifications. OPA price regularions for dairy and poultry products, being in most cases based on U. S. Grades, resulted in an increased demand for grading service on the products included in such regulations.

The inspection and grading work continued in 1942-43 to operate on a self-supporting basis. In order to adequately handle the large increase in volume of work on this basis, the services of the various State Departments of Agriculture are enlisted by means of Federal-State cooperative agreements. Practically all the States are now under such agreements. They have been consummated during 1942-43 with Connecticut, New Hampshire, New Jersey, Maine, Louisiana, Kentucky, Colorado, Montana, and Wyoming. Agreements were also submitted for approval to Vermont, Rhode Island, Idaho, and other States which have previously signed agreements. A wider acceptance of grading programs in the future will be based in a large measure on the continued help and cooperation of State agencies.

Regional supervisors are being more widely used for the purpose of maintaining uniform interpretation and application of the U. S. standards on dairy and poultry products, as well as assisting in the training of new graders. An additional supervisor of cheese grading was assigned to the Midwest area, and a supervisor of butter and cheese grading in the Pacific Coast area. Regional egg and poultry grading supervisors have been assigned to five regions, with headquarters at Atlanta, New York, Des Moines, Dallas, and Denver. In addition, resident samplers have been placed in all egg drying plants selling product to FSCC, and resident supervisors have been placed in all egg breaking plants where such product will subsequently be dried and sold to the FSCC. The increased sale of dairy and poultry products to governmental agencies on the basis of the U.S. standards of quality has also resulted in a large increase of resident graders in plants throughout the country for the purpose of grading eggs and poultry.

Increased demand for eviscerated poultry has resulted in considerable expansion in the grading of such products. On June 30, 1942, there were 53 plants throughout the country under inspection. By June 30, 1943, this number had increased to 69. This increase necessitated the establishment of a new supervisory office in New York City to cover the Northeast region. Additional offices are in process of being set up at Omaha and at San Francisco. Further expansion of this program is anticipated.

The volume of all products graded during 1942-43 showed increases over the volume graded the preceding year, with the exception of shell eggs, cheese, frozen eggs, and evaporated milk. The increases and decreases can be attributed to lend-lease purchase programs, various set-aside orders, as well as OPA price regulations. Regular grading programs have likewise been affected by the war effort, and consequently considerable variation may be expected from time to time in volume of product graded.

Product	1941-42	1942-43
Butter (lbs.)	333,766,655	437,825,000
Cheese (lbs.)	350,028,906	216,183,000
Eggs (cases)	5,517,953	4,491,356 1/
Dressed Poultry (lbs.) (Shipping Point & Term. Mkts.)	27,068,227	45,451,386 1/
Dressed Poultry (lbs.) (Inspected)	115,481,493	169,904,289 1/
Live Poultry (lbs.)	1,187,701	1,608,575 1/
Dressed Turkeys (lbs.)	52,182,867	67,198,696 1/
Frozen Eggs - Graded (lbs.)	66,602,398	21,711,622 1/
Dry Skim Milk (lbs.)	185,359,943	290,333,000
Evaporated and Condensed Milk (cases)	37,917,146	8,094,123
Dried Eggs (lbs.)	138,896,111	227,668,861 1/
Frozen Egg Inspections (lbs.)	2,234,220	2,053,940 1/

1/ Estimated.

V. MARKET NEWS FOR DAIRY AND POULTRY PRODUCTS

The job of reporting market prices, sales terms and conditions, and market movements of dairy and poultry products was very greatly affected in 1942-43 by the imposition of new price ceiling regulations and by forced changes in marketing methods and channels as a result of various food orders. Accurate and current market news became even more important under these conditions, but at the same time even more difficult to obtain and also more difficult to relate to similar information for previous months and years.

Price ceilings were established during the year on practically all of the principal dairy and poultry products, either fixed ceiling levels with prescribed differentials for location and grade, or individual ceilings based on prices prevailing during the previous period. Rationing or limitation orders were issued for several products, and reservation or set-aside orders for many others. These orders changed the flow of products to market. Black markets developed for a few products, with market movements through new channels at prices above ceiling levels. Local market shortages developed for several products. These were investigated and reported. Price and supply conditions in secondary markets became more significant, while trading on the large central market exchanges was very substantially reduced.

Under these conditions, market news of various types became increasingly valuable and essential, not only to the industry but particularly to the governmental agencies charged with directing and regulating prices and distribution, and distribution, and charged with procuring dairy and poultry products for war uses. Meuh space on market reports during 1942-43, for example, was devoted to outlining and explaining new regulations on price or sales procedure. Additional space was also devoted to storage movements, new types or channels of trade, the adequacy of local supplies,

differentials in price according to grade, and to variations in price according to volume, package, and type of sale.

Market news work has expanded in several respects during the 1943 fiscal year in an attempt to supply these increased needs for accurate, current, and comprehensive reports. Federal field offices at New York, Baltimore, Pittsburgh, Chicago, Philadelphia, Boston, Denver, San Francisco, Los Angeles, Portland, and Seattle, were continued. Offices at Detroit and Richmond were maintained in cooperation with State agencies. The Houston office was closed in May 1943 for lack of personnel and an office at New Orleans was closed on June 30, 1943, after 6 months of operation because of a reduction in funds.

A new agreement with New York State and New York City became operative during 1942 to 43 to provide added news on the live poultry market. Market news on live poultry receipts at Boston, Philadelphia, Chicago, Cleveland, and Detroit was also initiated during the year. This new work has been particularly related to the price ceiling regulations on poultry.

The present scope of market news is indicated by the fact that more than 10 million copies of the various reports are issued each year. Approximately 12,000 of these are annual summaries, 322,500 are monthly reports, 564,200 are weekly reports, and the balance are daily market reports. The approximate number receiving the various reports in 1942-43 were as follows:

Dairy Market Report	28,245
Daily Turkey Market Report (In Season)	2,053
Daily Live Poultry Market Report	425
Weekly Dairy Markets Review	8,885
Weekly Milk and Cream Market Reviews	1,965
Monthly Domestic Dairy Markets Review	2,025
Monthly Egg and Poultry Markets Review	1,950
Monthly Cold Storage Report	10,205
Monthly Milk and Cream Market Report	1,965
Monthly Live Poultry Report	600
Monthly Carlot Shipment Report (Pacific Coast Eggs)	525
Monthly Origin of Receipts Report	9,602
Annual Origin of Receipts Report	9,202
Annual Summary of Dairy and Poultry Market Statistics	2,800

The following table indicates the principal sources consulted by representatives of the Administration in obtaining market news information for the various markets:

Approximate Number of Contacts Maintained by Field Offices

City	Local Dealers: Truck Receipts and Floor Stocks	Local Dealers: Price Information	Cold Storage Warehouses	Rail Receivers	Country Point Shippers
Baltimore	36	30	-	18	-
Boston	95	70	5	22	-
Chicago	110	65	26	25	250
Denver	-	14	3	-	-
Detroit	-	8	6	-	-
Houston	-	10	-	-	-
Los Angeles	25	55	5	3	-
New Orleans	30	10	-	8	-
New York	265	105	18	102	-
Philadelphia	115	100	9	32	-
Pittsburgh	-	8	5	-	-
Portland	20	15	3	-	-
San Francisco	35	50	12	20	85
Seattle	-	20	10	-	4